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NEWS RELEASE

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THIRD STRAIGHT YEAR OF WEAK MARKETS IMPACTS MONTANA FOREST PRODUCTS

MISSOULA —

For the third straight year, lumber production and mill worker employment and wages have declined substantially in Montana's forest products industry, according to a University of Montana researcher.

Todd Morgan, director of forest industry research at UM's Bureau of Business and Economic Research, said that 2008 was a difficult year, with the global recession and ongoing U.S. housing slump continuing to impact Montana's forest products industry.

"Weak markets truly revealed themselves in Montana's wood products statistics for the last three months of 2008," Morgan said. "Since 2006, poor market conditions have surpassed limited timber availability as the primary negative factor impacting Montana mills."

Lumber production at Montana sawmills in the fourth quarter of 2008 fell to approximately 131 million board feet, down 24 percent from the third quarter of 2008. Total Montana lumber production for 2008 was about 684 million board feet, which was lower than the previously estimated 710 million board feet and down about 14 percent from 2007. Compared with 2005, when U.S. housing starts peaked, 2008 Montana lumber production was down 32 percent.

The number of production workers employed in Montana mills during the fourth quarter of 2008 was 2,716, down 5 percent from third quarter 2008. About 715 (20 percent) fewer production workers were employed in Montana mills during 2008 than during 2005. Permanent closures of the Stimson plywood plant and sawmill in **Bonner** during 2007 and 2008 and of Owens & Hurst in **Eureka** during 2005 account for more than 530 of the jobs lost, Morgan said.

Production wages at mills also fell during the fourth quarter of 2008. Wages were just \$24.6 million during the fourth quarter of 2008, versus \$28.8 million during the third quarter. The steep quarter-to-quarter drop in wages is largely because of shortened work weeks, reduced number of shifts, temporary curtailments, pay cuts and other efforts by mills to keep costs down while still retaining employees, Morgan said. Total 2008 production wages were \$112.2 million, down 17 percent from \$135.6 million in 2005.

Log prices in Montana are finally falling, and the expected demand for logs at Montana mills during the next 60 days is poor to fair as many mills deal with a lack of demand for products, Morgan said.

“The fact that local log prices have not fallen as much as national lumber prices indicates there is still competition and need for logs among Montana mills,” he said. “More than half the mills in Montana indicate that raw material availability is still an important issue. Not all mills have full log yards, and several mills are still bidding and purchasing timber needed to fill orders and ensure sufficient log inventory going into spring break-up, when the ground is usually too soft and wet for logging.”

Wage, employment and production figures refer only to Montana production workers at timber-processing facilities and mills that use wood residue from timber-processing facilities.

Production workers account for 30 to 40 percent of the workers in Montana's forest products industry. Estimates do not include several thousand workers in logging, trucking and other related jobs.

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